



OFFICE OF PUBLIC INSURANCE COUNSEL

Melissa R. Hamilton, Public Counsel

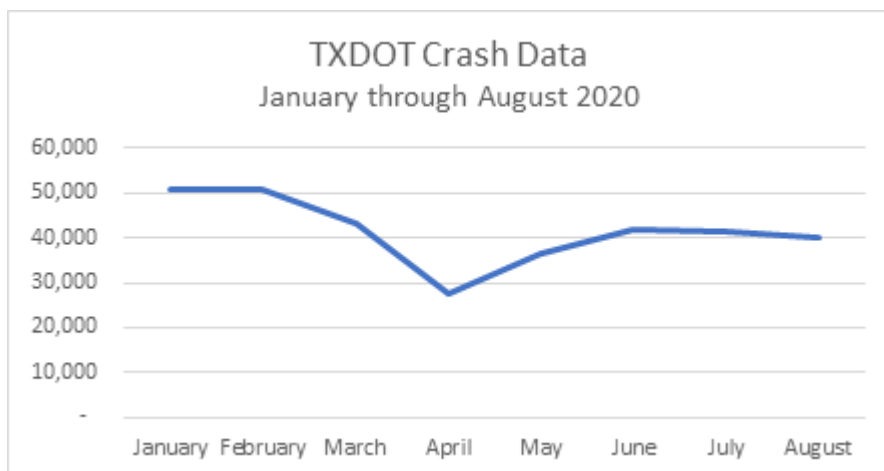
COVID-19 Related Interim Charge #5:

Has there been a decrease in auto insurance claims during the COVID-19 pandemic? How many auto insurers have issued credits or rebates to their policyholders due to the COVID-19 pandemic? If so, how was the amount of this credit or rebate determined? What steps are state agencies taking in order to ensure that auto rates are not excessive as a result of presumptive decrease in driving and claims associated with the COVID-19 pandemic?

Office of Public Insurance Counsel (OPIC) Response:

Frequency of Auto Claims

Texas Department of Transportation (TXDOT) crash data show a sharp decline in auto accident frequency during the COVID-19 period. Crashes reached a low point in April, bounced back into June, and then began declining again subsequent to the re-opening pause on June 25. TXDOT data also indicate that vehicle crashes declined by 21.5% from January through August 2020.



Source: Texas Department of Transportation CRIS Query

Data reviewed by OPIC from large standard market auto insurers, through June 30, 2020, indicate a similar experience to that shown by the TXDOT data. For example, one large insurer reported claim frequency data for combined bodily injury, property damage, and collision declined over 25% from January to June 2020. However, while TXDOT crash data is helpful, it

does not always provide complete information about the effects of the COVID-19 pandemic on insurers' losses.

Accordingly, on June 26, 2020, OPIC sent a letter to the Texas Department of Insurance (TDI) Commissioner Sullivan asking TDI to conduct a data call to gather claim count data for the top ten auto insurance groups, by market share, to be reported within two weeks of the prior month, beginning with July 2020. OPIC requested information for bodily injury, property damage, other than collision, and collision claims. This call would have been ongoing through the duration of the pandemic.

TDI declined the request for a data call but decided to request data from certain auto companies that make rate filings. The companies subject to the request must provide the cumulative data by month, for the period January 2019 through the most recent available month of experience (initially June 2020 but now extended through July). The data requested by TDI is as follows:

For bodily injury, property damage, comprehensive, collision, uninsured/underinsured motorist bodily injury, uninsured/underinsured property damage, and personal injury protection coverages: a) paid claim counts; b) reported claim counts; c) paid losses; and d) reported losses. In addition, companies must provide earned premium and earned exposures by month, for the same time period.

Relief to Consumers and Auto Rates

According to OPIC's review of the market data available to our agency, most personal auto insurers provided Texas consumers with some form of COVID-19 relief. The form of this relief, as well as the length of time the relief is available, varies from insurer to insurer. Most relief efforts fall into one of the following categories: premium credits; dividends; expansion of coverage to provide coverage for services (for example, some insurers provided coverage for delivery of goods, which would otherwise be excluded as a business use under the policy); and extended grace periods for payment of premium.

OPIC's review indicates most insurers provided financial relief in the form of premium credits. According to insurers' financial statements, premium credits are usually reported as underwriting expenses, and the calculation of those credits is not required to be reported to TDI. Based on OPIC's review of filings, the most common form of premium credit relief provided by auto insurers is a 15% premium credit over a two to three-month period. A 15% credit over three months is roughly equivalent to an annual premium reduction of -3.8%. One large insurer, however, filed for a rate decrease of -12.5%, in addition to COVID-19 related premium credits.

Most personal auto insurers have not filed for rate increases since the beginning of the COVID-19 pandemic, but some have done so. OPIC has been concerned about personal auto rate increases during the pandemic since the first filing for an increase was made and as a result, review of these filings has been, and continues to be, a priority for the agency.

While a few increases have been justified, OPIC found the vast majority to be excessive, in violation of Sections 2251.051 and 2251.052 of the Insurance Code. OPIC has filed ten formal auto rate objections since April 1, 2020. Subsequent to OPIC's initial rate actions in April, five insurers have withdrawn rate increases before implementation and another four agreed to rescind the increase in a subsequent filing. Accordingly, in the last four and a half months, OPIC's actions related to personal auto filings have saved Texas drivers over \$1.5 million.

OPIC plans to continue to carefully review personal auto filings for rate increases and to work with TDI and insurers to make sure that Texas consumers do not receive unjustified rate increases during this time of financial and economic challenges.